102D CONGRESS
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Part 3

MILK INVENTORY MANAGEMENT ACT OF 1991

OCTOBER 17, 1991.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 2837]

[Including cost estimate to the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 2837) to amend the Agricultural Act of 1949 to improve the milk price support program and to establish a milk inventory management program to operate during calendar years in which purchases of milk and milk products by the Commodity Credit Corporation are estimated to exceed 5,000,000,000 pounds, having considered the same, report thereon with an amendment and without recommendation with respect to the bill as a whole.

The amendment to the bill as reported by the Committee on Agriculture is as follows:

The amendment (stated in terms of the page and line numbers of the bill as reported by the Committee on Agriculture) is as follows:

Page 62, strike line 10 and all that follows through page 64, line 11 (and insert a closed quotation mark after the period on page 62, line 9).

I. LEGISLATIVE BACKGROUND

H.R. 2837 (the "Milk Inventory Management Act of 1991") was ordered reported on July 16, 1991, by the Committee on Agriculture (H. Rept. 102-173, Part 1, July 29, 1991). The bill was sequentially referred to the Committee on Ways and Means and the Committee on Education and Labor for a period ending October 18, 1991.

The Committee on Ways and Means marked up the bill on October 16, 1991, and reported the bill with an amendment to delete

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section 14(e) (relating to price reductions to recover appropriations) and without recommendation with respect to the bill as a whole.

II. Explanation of Committee Amendments

The Committee on Ways and Means has received a sequential referral of this legislation only for consideration of such provisions of the bill as fall within the jurisdiction of the Committee. As a technical matter, however, the Committee has ordered reported to the full House of Representatives the entire bill, as amended. As a substantive matter, the Committee does not favorably or unfavorably comment upon the many provisions of the legislation not within the jurisdiction of the Committee. Therefore, the reporting of H.R. 2837, as amended, is not intended to signify agreement with each specific provision of the bill.

PRESENT LAW

The Agricultural Act of 1949 established the dairy price support program. Under this program, the United States Department of Agriculture buys dairy products to support indirectly the price farmers receive for such products. Specifically, the Commodity Credit Corporation offers to purchase quantities of the primary dairy products (butter, nonfat dry milk, and cheese) at prices that will ensure that the minimum price received by producers exceeds the support price. The current support price for milk producers is $10.10 per hundredweight.

The dairy price support program also authorizes the Secretary of Agriculture to make assessments against milk producers, in the form of reductions in price received by producers under the program. Specifically, assessments against producers are authorized to offset the cost to the Commodity Credit Corporation of purchases of dairy products in excess of specified amounts. The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) required other assessments against producers to bring about reductions in program costs.

Under present law, no assessment against dairy producers is authorized to be used other than to offset costs of the dairy price support program and related costs. No such assessment is authorized to be appropriated for unrelated governmental programs and other purposes.

DESCRIPTION OF H.R. 2837 PROVISIONS AS REPORTED BY THE COMMITTEE ON AGRICULTURE

H.R. 2837 specifies minimum levels of milk-price supports for the years 1992 through 1995, ranging from $12.60 to $11.60 per hundredweight.

The bill also revises the provisions for assessments against milk producers and creates certain new assessments. One such new assessment, contained in section 14 of the bill, would require the Secretary of Agriculture to make a separate assessment (in the form of a reduction in price) against milk producers to fund appropriations for domestic nutrition programs administered by the Department of Agriculture pursuant to the Child Nutrition Act of 1966, the National School Lunch Act, and the Food Stamp Act of 1977.

Specifically, the bill authorizes to be appropriated to the Secretary of Agriculture the amount of funds necessary to ensure that benefits and participation levels under these nutrition programs are not diminished as a result of increases in costs resulting from changes in the operation of the milk price support program under the bill. The Secretary is required to make payments from the amounts so appropriated (or in the case of the Food Stamp Program, to increase monthly allotments) that are in addition to any payments made from amounts appropriated pursuant to authorizations contained in the Child Nutrition Act of 1966, the National School Lunch Act, and the Food Stamp Act of 1977.

To the extent necessary to recover the amount of funds appropriated pursuant to these provisions, the Secretary of Agriculture must provide for an assessment (in the form of a reduction in price) against all producers under the milk price support program. The assessments are to be established at a rate such that the total amount collected in a fiscal year equals the total amount appropriated pursuant to these provisions. The assessment is in addition to any other assessment that might apply to a producer.

These provisions would take effect on the date of enactment.

REASONS FOR CHANGE

The assessment against milk producers would be utilized to recover amounts appropriated to finance government programs that are not directly related to the dairy price support program, and therefore represents a tax. The Committee was concerned that such a tax against milk producers is not an appropriate funding mechanism for appropriations for governmental programs unrelated to the dairy price support system.

EXPLANATION OF COMMITTEE AMENDMENT

The Committee amendment deletes section 14(e) of the bill, which requires the Secretary of Agriculture to assess milk producers to recover amounts appropriated for domestic nutrition programs under the legislation.

The Committee notes that the Congressional Budget Office has determined that the bill as reported by the Committee on Agriculture and amended by the Committee on Ways and Means would not have any adverse budgetary impact under "pay-as-you-go" restrictions. (See the statement of the Congressional Budget Office contained in part IV of this report). In a letter received by Chairman Dan Rostenkowski from Assistant Secretary of the Treasury Kenneth W. Gideon dated September 20, 1991, relating to this legislation, however, it is stated that the Administration estimates that the bill (as reported by the Committee on Agriculture) would result in an increase in direct spending which, in the absence of offsetting revenues or spending cuts, could trigger a sequester order under the pay-as-you-go restrictions. (See Exhibit 1.) The Committee is concerned about the potential impact of this legislation under the pay-as-you-go restrictions of the Budget Enforcement Act of 1990, and anticipates that the Committee on Agriculture will take appropriate actions within its jurisdiction to assure

that the legislation would have no adverse pay-as-you-go consequences that might lead to a sequestration.

III. Effect of the Committee Amendment on the Budget

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made about the budget effect of the Committee amendments to H.R. 2837:

The Committee amendment to H.R. 2837 is estimated to cause no increase in the deficit and therefore to have no adverse pay-as-you-go consequences. (See also the statement of the Congressional Budget Office in part IV of this report.)

IV. Vote of the Committee and Other Matters To Be Discussed Under House Rules

A. VOTE OF THE COMMITTEE

In compliance with clauses 2(l)(3) and (2)(l)(4) of rule XI of the House of Representatives, the following statement is made about the vote of the Committee on the motion to report the bill, H.R. 2837. The bill as amended was ordered reported without recommendation by voice vote.

B. OTHER MATTERS

In compliance with clause (2)(l)(3) and (2)(l)(4) of rule XI of the Rules of the House of Representatives, the following statements are made with respect to the Committee action on H.R. 2837, as amended.

Oversight findings

With respect to subdivision (A) of clause 2(l)(3) (relating to oversight findings), the Committee advises that it was as a result of the Committee's oversight activities with respect to assessments on milk producers under section 14(e) of H.R. 2837 as reported by the Committee on Agriculture that the Committee concluded that it is appropriate to remove the assessment provisions contained in H.R. 2837 as reported by the Committee on Agriculture.

Tax expenditures

With respect to subdivision (B) of clause 2(l)(3), after consultation with the Congressional Budget Office, the Committee states that the changes made to existing law by the Committee amendments involve no new or increased tax expenditures.

Budget authority

With respect to subdivision (B) of clause 2(l)(3), after consultation with the Congressional Budget Office, the Committee states that the changes made by the Committee amendments involve no new budget authority.

Congressional Budget Office estimates

With respect to subdivision (C) of clause 2(l)(3), the following estimate from the Congressional Budget Office is provided:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, October 17, 1991.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 2837, the Milk Inventory Management Act of 1991, as ordered reported by the Committee on Ways and Means on October 16, 1991.

This bill would affect direct spending and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985. As a result, the estimate required under clause 8 of House Rule XXI also is attached.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM
(For Robert D. Reischauer).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 2837.

2. Bill title: The Milk Inventory Management Act of 1991.

3. Bill status: As amended and ordered reported by the House Committee on Ways and Means on October 16, 1991.

4. Bill purpose: H.R. 2837 would make major changes in the dairy price support operations of the Commodity Credit Corporation, starting in January 1, 1992. The bill would increase the level of price support for milk from $10.10 to $12.60 per hundredweight in 1992 and 1993, to $12.10 per hundredweight in 1994 and to $11.60 per hundredweight in 1995. To control costs that would otherwise increase with the level of price support, the bill would establish a National Dairy Inventory Management Board to help dispose of the surplus, and would authorize production controls for milk at the farm level.

The board would be responsible for disposal of surplus price support purchases in excess of 5 billion pounds of milk equivalent dairy products annually. If the Secretary of Agriculture estimates purchases to be in excess of 7 billion pounds milk equivalent, supply control measures would take effect. Each producer would be assigned a marketing history and would be penalized for marketing in excess of a percentage of that historical level.

The board also would be responsible for collecting assessments from dairy producers for several purposes, primarily to purchase red meat to offset the impacts of increased dairy cow slaughter on meat markets.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1992	1993	1994	1995	1996
Direct Spending					
Commodity Credit Corporation dairy price support:					
Estimated budget authority	−89	−22	−19	−10	4
Estimated outlays	−89	−22	−19	−10	4
Red meat purchases:					
Estimated budget authority	413				
Estimated outlays	413				
Dairy heifer export program:					
Estimated budget authority	5	5	5	5	5
Estimated outlays	5	5	5	5	5
Domestic nutrition programs:					
Estimated budget authority		4	4	3	3
Estimated outlays		4	4	3	3
Assessment receipts for red meat program:					
Estimated budget authority	−413				
Estimated outlays	−413				
Total direct spending:					
Estimated budget authority	−84	−13	−10	−2	12
Estimated outlays	−84	−13	−10	−2	12
Authorization of Appropriations					
Domestic nutrition programs:					
Authorization level	563	100	87	71	
Estimated outlays	558	99	88	72	4
Packers and stockyards administration:					
Estimated authorization level	1	1	1	1	1
Estimated outlays	1	1	1	1	1
Total authorized programs:					
Estimated authorization level	564	101	88	72	1
Estimated outlays	559	100	89	73	5

The costs of this bill fall within budget functions 350 and 600.

Basis of estimate: As a result of the substantial milk price support increases provided in H.R. 2837, CBO estimates that in the absence of supply control measures, price support purchases would exceed 7 billion pounds in every year from 1992 through 1996. Therefore, CBO assumes that the Secretary of Agriculture would institute supply control to hold purchases to no more than 5 billion pounds, as required by the bill. The dairy price support program would achieve savings in 1992 through 1995 and small costs in 1996 because the quantity purchased would be below baseline projections, although the price paid per pound would be higher.

Because of the supply control measures in the bill, dairy producers are expected to increase their slaughter of cows by about 500,000 head. The Secretary of Agriculture is required by the bill to purchase red meat to offset the impact of the increased cow slaugher on red meat prices. CBO estimates this requirement to cost $413 million in 1992. However, the bill requires that dairy producers be assessed to cover the costs of these purchases.

H.R. 2837 also includes a requirement that the Secretary of Agriculture establish a program to subsidize the export of dairy cow heifers. CBO estimates this program to operate at a cost of $5 million per year.

The bill directs the Secretary to make payments to the major domestic nutrition programs to offset the impacts of increased milk prices. In 1992, the Secretary would be required to pay $133 million for the Child Nutrition programs, $80 million for the Special Supplemental Food Program for Women, Infants and Children (WIC), and $350 million for the Food Stamp program. The bill further directs the Board to provide WIC agencies with $100 million in 1993, $87 million in 1994 and $71 million in 1995. These amounts would all be subject to appropriations.

No payments would be made to the Child Nutrition or Food Stamp programs in 1993–1995, H.R. 2837 could have an indirect effect on these programs, however, to the extent that the annual inflation adjustments for these programs are affected by increases in dairy prices. In fact, the legislation directs the Secretary of Agriculture to increase the sensitivity of the inflation index for Child Nutrition to changes in dairy prices. The CBO cost estimate does not include costs associated with these indirect price effects, following the traditional scoring practices for dairy and other agricultural legislation. Future increases in Child Nutrition and Food Stamps will depend on the changes in many food prices, not just changes in milk prices. The one exception is in the Special Milk program, where the annual inflation-adjustment is tied solely to milk prices. In these cases, increased milk prices have a direct effect on program outlays, and costs are estimated to increase by $3 million to $4 million annually under the provisions of this bill.

Section 12 of H.R. 2837 establishes statutory trusts to protect milk producers from nonpayment by milk handlers, and authorizes appropriations for administration of these trusts by the Packers and Stockyards Administration. CBO estimates that $1 million annually would be needed to carry out the requirement of this section.

6. Pay-as-you-go considerations: The Budget Enforcement Act of 1990 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. CBO estimates that enactment of H.R. 2837 would create new direct spending authority, but that additional collections would more than offset increased spending in each of the years 1992–1995. Net outlay savings could be $84 million in 1992, $13 million in 1993, $10 million in 1994, and $2 million in 1995. The amendment adopted by the Committee on Ways and Means would not affect the pay-as-you-go scoring of this bill.

7. Estimated cost to state and local governments: None.

8. Estimate comparison: None.

9. Previous CBO estimate: On July 31, 1991, the Congressional Budget Office prepared a cost estimate for H.R. 2837 as ordered reported by the House Committee on Agriculture on July 17, 1991. This estimate differs from that previous one, because the Ways and Means Committee eliminated the provision requiring assessments on dairy producers to cover the increased appropriations authorized for domestic nutrition programs.

10. Estimate prepared by: David Hull, Julie Isaacs, and Sandra Clark.

11. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

CONGRESSIONAL BUDGET OFFICE ESTIMATE [1]

The applicable cost estimate of this act for all purposes of sections 252 and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be as follows:

[By fiscal year, in millions of dollars]

	1991	1992	1993	1994	1995
Change in outlays	0	−84	−13	−10	−2
Change in receipts	NA	NA	NA	NA	NA

[1] An estimate of H.R. 2837 as ordered reported by the House Committee on Ways and Means on October 16, 1991. This estimate was transmitted by the Congressional Budget Office on October 17, 1991.

Oversight by Committee on Government Operations

With respect to subdivision (D) of clause 2(l)(3), the Committee advises that no oversight findings or recommendations have been submitted to the Committee on Government Operations regarding the subject of the Committee amendment.

Inflationary impact

In compliance with clause 2(l)(4), the Committee states that the Committee amendment is not expected to have any inflationary impact on prices and costs in the operation of the national economy.

V. CHANGES IN EXISTING LAW (AS AMENDED BY THE COMMITTEE ON AGRICULTURE) MADE BY THE BILL, AS REPORTED

The bill was referred to this Committee for consideration of such provisions of the bill and the amendment reported by the Committee on Agriculture, as fall within the jurisdiction of this Committee pursuant to clause (1)(v) of rule X of the Rules of the House of Representatives. The changes made to existing law by the amendment reported by the Committee on Agriculture are shown in the report filed by that Committee (Rept. No. 102–173, part 1).

For the information of the Members of the House of Representatives, changes made by this Committee to existing law as amended by the Committee on Agriculture are shown as follows (matter proposed to be omitted is shown in black brackets, matter in which no change is proposed is shown italic):

AGRICULTURAL ACT OF 1949

* * * * * * *

SEC. 204D. PREVENTION OF ADVERSE IMPACT OF PRICE SUPPORT PROGRAM ON NUTRITION PROGRAMS.

(a) * * *

* * * * * * *

[(e) PRICE REDUCTION TO RECOVER APPROPRIATIONS.—

[(1) REDUCTION REQUIRED.—To the extent necessary to recover the amount of funds appropriated pursuant to the authorizations of appropriations contained in this section, the Secre-

tary shall provide for a reduction to be made in the price received by producers for all milk produced in the contiguous 48 States and marketed for commercial use. the price reduction required by this paragraph shall be—

[(A) established at a rate per hundredweight such that the total amount collected in a fiscal year will equal the total amount appropriated for that year pursuant to the authorizations of appropriations contained in this section;

[(B) in addition to any other reduction in the price received by milk producers required by section 204;

[(C) collected in conjunction with collections and remittances of reductions required under section 204 and deposited as an offsetting collection in and credited to, the account providing appropriations to carry out this section; and

[(D) considered as included in the payments to a producer of milk for purposes of the minimum price provisions of the Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937.

[(2) CONDITION ON IMPLEMENTATION OF REDUCTION.—The Secretary may not implement a price reduction for a fiscal year under this subsection unless amounts are appropriated specifically pursuant to the authorizations of appropriations contained in this section for that year.

[(3) INSUFFICIENT COLLECTION.—If the amount collected for a fiscal year under paragraph (1) is insufficient to recover the full amount of funds appropriated pursuant to the authorizations of appropriations contained in this section for that year, any reduction under such paragraph in prices received by producers during the following year shall be increased to cover the shortfall.

[(4) EXCESS COLLECTION.—If the amount collected for a fiscal year under paragraph (1) exceeds the amount required to recover the full amount of funds appropriated pursuant to the authorizations of appropriations contained in this section for that year, any future reduction under such paragraph in prices for a year shall be adjusted to take account of these surplus funds.]

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APPENDIX

EXHIBIT 1

DEPARTMENT OF THE TREASURY,
Washington, DC, September 20, 1991.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: This is in response to your letter to Secretary Brady of September 6, 1991, requesting the views of the Administration on H.R. 534 and H.R. 2837. The Secretary asked me to respond directly to you.

H.R. 534 would repeal the recreational boat user fee enacted as part of the Omnibus Budget Reconciliation Act of 1990 ("OBRA"). The fee is imposed on a graduated basis depending on the length of the vessel, and is required only on vessels operated on navigable waters of the United States where the Coast Guard has a presence. The fee is to be imposed through fiscal year 1995.

As the Secretary of Transportation has previously indicated in a letter to the Chairman of the Merchant Marine Committee (copy attached), the Administration opposes enactment of H.R. 534. The Administration believes it is unfair for the general public to bear the entire cost of Coast Guard services that provide substantial benefits to the boating public. In addition, the Administration is concerned that the revenue offset in the bill—a per minute charge for use of the Federal Maritime Commission's ATFI system—would exceed the direct, reasonable costs of those services provided by the ATFI system. Finally, the Administration estimates that H.R. 534 would result in a loss of revenue that, in the absence of offsetting revenues, would be subject to the pay-as-you-go requirements of OBRA.

H.R. 2837 establishes milk price support levels for calendar years 1991–1995. In addition, section 14 of the bill authorizes the additional appropriation of funds to various domestic feeding programs administered by the Department of Agriculture. These increased appropriations are intended to offset the additional costs that the programs will incur as a result of changes in milk price support levels made by the bill. To fund these additional appropriations, the Secretary of Agriculture is required to levy an assessment on milk production in the 48 contiguous states.

The Administration strongly objects to the enactment of H.R 2837, and if the bill were presented to the President, his senior advisors would recommend a veto. This position is set forth in more detail in the attached Statement of Administration Policy. In addition to other concerns described in the Statement, the Administration opposes both the assessment on dairy farmers over the next

five years and the additional appropriations for domestic feeding programs required by the bill. Moreover, the Administration estimates that the bill would result in an increase in direct spending that, in the absence of offsetting revenues or spending cuts, could trigger a sequester order under the pay-as-you-go requirements of OBRA.

The Office of Management and Budget has advised that there is no objection to the submission of this letter for your consideration, and that enactment of H.R. 534 and H.R. 2837 would not be in accord with the program of the President.

Very truly yours,

KENNETH W. GIDEON,
Assistant Secretary (Tax Policy).

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